

Slater & Gordon

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Lawyers

Andrew Grech - Managing Director
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Results presentation - year ended 30 June 2009

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2009 Highlights

- ▶ Strong organic growth in No Win - No Fee™ Personal Injury legal services

- ▶ Platform for continued growth
 - Key appointments
 - New Practice Management System ('PMS')
 - New National Practice Standards
 - New Enterprise Risk Management Program
 - Increased Commercial & Project Litigation capacity

- ▶ Proven capability to integrate acquisitions
 - 24 acquisitions over past 8 years
 - Consolidation of acquisitions in FY09
 - 9 acquisitions in FY08 delivered in excess of \$17m forecast net fees

- ▶ Strong financial performance

Profit & Loss

	FY 2009 \$'000	FY 2008 \$'000	Change %
Total Revenue	103,023	79,715	↑ 29.2%
EBIT	25,060	21,741	↑ 15.3%
EBIT to Revenue ¹	24.6%	27.5%	
NPAT	17,047	15,104	↑ 12.9%
Basic EPS	15.9	15.3	↑ 3.9%
Diluted EPS	14.8	13.8	↑ 7.3%

Balance Sheet

	FY 2009	FY 2008
Debtor Days	125	105
Paid Disbursement Days	84	73
WIP days (PI & Non PI)	368	378*
WIP days (Self Funded Projects)	29	17
Debt/Equity Ratio	26.8%	17.3%
Interest cover	17.3	29.3
Return on Equity	16.2%	17.7%

** Normalised to eliminate acquired WIP in transactions prior to FY08 year end*

Operating Cash Flow

▶ Operating cash flow impacted by significant events in FY09

- Transition to new Practice Management System
- Investment in self funded project disbursements

▶ Measure Operating cash flow as a % of NPAT

	FY 07	FY 08	FY 09
NPAT	10,655	15,104	17,047
Cash Flow from Operations	8,529	11,563	(772)
<u>% Recovery</u>	<u>80.0%</u>	<u>76.6%</u>	<u>(4.5%)</u>

Operating Cash Flow (continued)

	FY 09 \$'000	
NPAT	17,047	
Cash flows from Operations	(772)	(4.5%)
Impact of implementation of PMS on Debtors	6,344	
Self funded Project Disbursements	2,961	
Prepayments & Tax - Timing differences	4,010	13,315
Normalised Cash Flows from Operations	12,543	73.6%

▶ Working Capital

- Improvement of \$4 million in working capital funding from year end to mid August
- Expected to return to normal operating conditions

▶ Debt Facility

- Recently extended Debt facility to \$56 million with Westpac on 5 year terms

▶ Acquisition Funding

- Acquisitions continue to be funded by a blend of:
 - ⇒ cash
 - ⇒ equity
 - ⇒ deferred consideration
- Existing funding to enable recurring acquisitions

- ▶ Project Litigation represents matters that are anticipated to generate > \$500,000 net fee and disbursement recoveries
- ▶ Board approval for funding requires assessment on:
 - Legal merit
 - Economic merit
 - Reputational risk
- ▶ Self funded WIP value is at cost discounted for risk of unsuccessful outcome
- ▶ Shift to Project Litigation carried out on behalf of clients, funded by litigation funding providers
- ▶ Continue to build strong relationships with existing and emerging litigation funding providers

Project Litigation Pipeline

Self-funded Project Litigation	Start Date	Expected Completion Date Range
Vioxx	Q2 FY2004	Q1 FY 2011 - Q1 FY2012
Brookland Greens	Q1 FY2009	Q3 FY 2010 - Q3 FY2011
Fincorp	Q2 FY2009	Q1 FY 2011 - Q2 FY2012
Others (10 matters)	Q1 FY2006 to Q4 FY2009	Q2 FY 2010 - Q4 FY2011
Self funded Projects Discounted WIP		\$7.4 million
Self funded Projects Disbursements		\$4.5 million

Self funded WIP not to represent > 10% of WIP total

Currently at 7% with no existing self-funded matters anticipated to require significant further investment prior to completion

Fully Franked Final Dividend of 3.25c

- ▶ As a result of operating cash flow requirements and investment in Projects the Board has determined to declare a fully franked final dividend of 3.25c
- ▶ Full year fully franked dividend of 4.25c in line with current Board view to distribute 40 - 50% of NPAT (less net movement in WIP) as a fully franked dividend

- ▶ Consolidate the market for plaintiff PI legal services

- ▶ Deepen brand awareness
 - Awareness in Vic still strong providing impetus for continued market share growth
 - NSW growing- awareness ↑ 6% to 64% in Sydney
 - Queensland - now 2nd most recalled brand in Brisbane - awareness ↑ by 19% to nearly 60%
 - WA - now most recalled law firm in Perth - awareness ↑ by 32% to 75%

- ▶ Broaden brand awareness
 - Do more for existing clients
 - Launch of S&G Online
 - New partnership with National Seniors Association

Strategic Priorities (continued)

- ▶ Focus on winning market share in newer geographic regions focussing on PI
 - Victoria - currently hold > 20%* market share for PI legal services with strong organic growth in market share and targeted acquisition opportunities
 - WA - < 10%* market share for PI legal services
 - All other jurisdictions around or below 5%* market share for PI legal services
 - In total less than 10%* market share nationally

- ▶ Continuing to build competency in non PI consumer legal services

- ▶ Positioning the Company to meet increased demand for legal services in class actions and major litigation

- ▶ Use expertise gained in PI to replicate across other systems to continue to build our business

Strategic Priorities (continued)

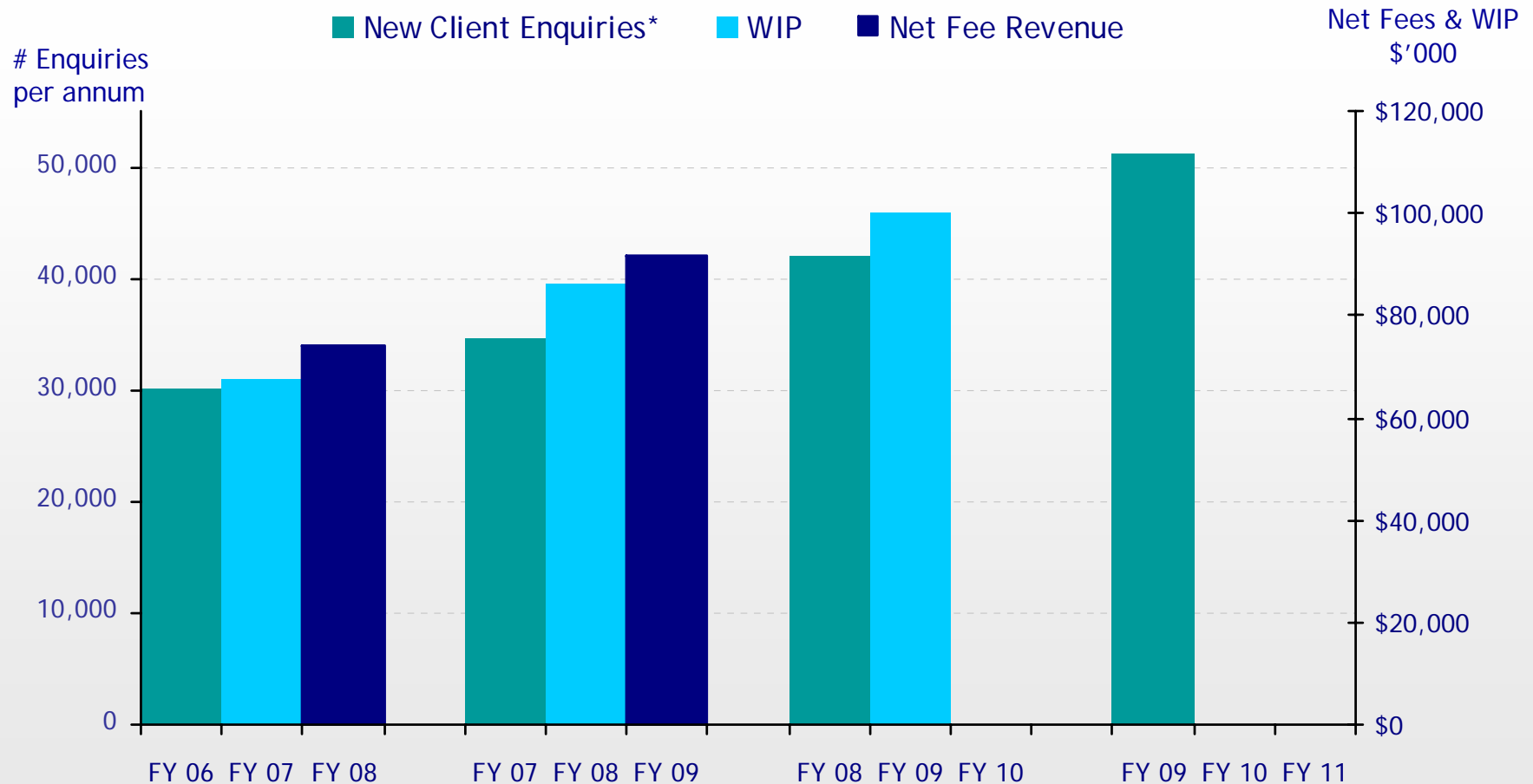
- ▶ **Core debt refinancing**
 - Positive development in banking relationship
 - Capacity for additional acquisitions

- ▶ **Improve Operating Cash flow**
 - Delays in billings and debtors caused by implementation of PMS now rectified
 - Review of debtor management utilising features of new PMS - impact expected in 2nd half of FY10
 - No substantial disbursement funding requirements in FY10 from self funded projects

- ▶ **Maintaining EBIT Margin at around 24% - 25%**
 - Built strong management to service 15% - 20% lift in revenue
 - New sites (Gunnedah & Ipswich opened August 2009, Joondalup opening Feb 2010)
 - Accommodation capacity to allow for future growth
 - Improved IT infrastructure to generate productivity improvements

FY 2010 - Strong Pipeline of Work

Relationship of Enquiries to WIP to Fees



**FY09 adjusted for significant project enquiries*

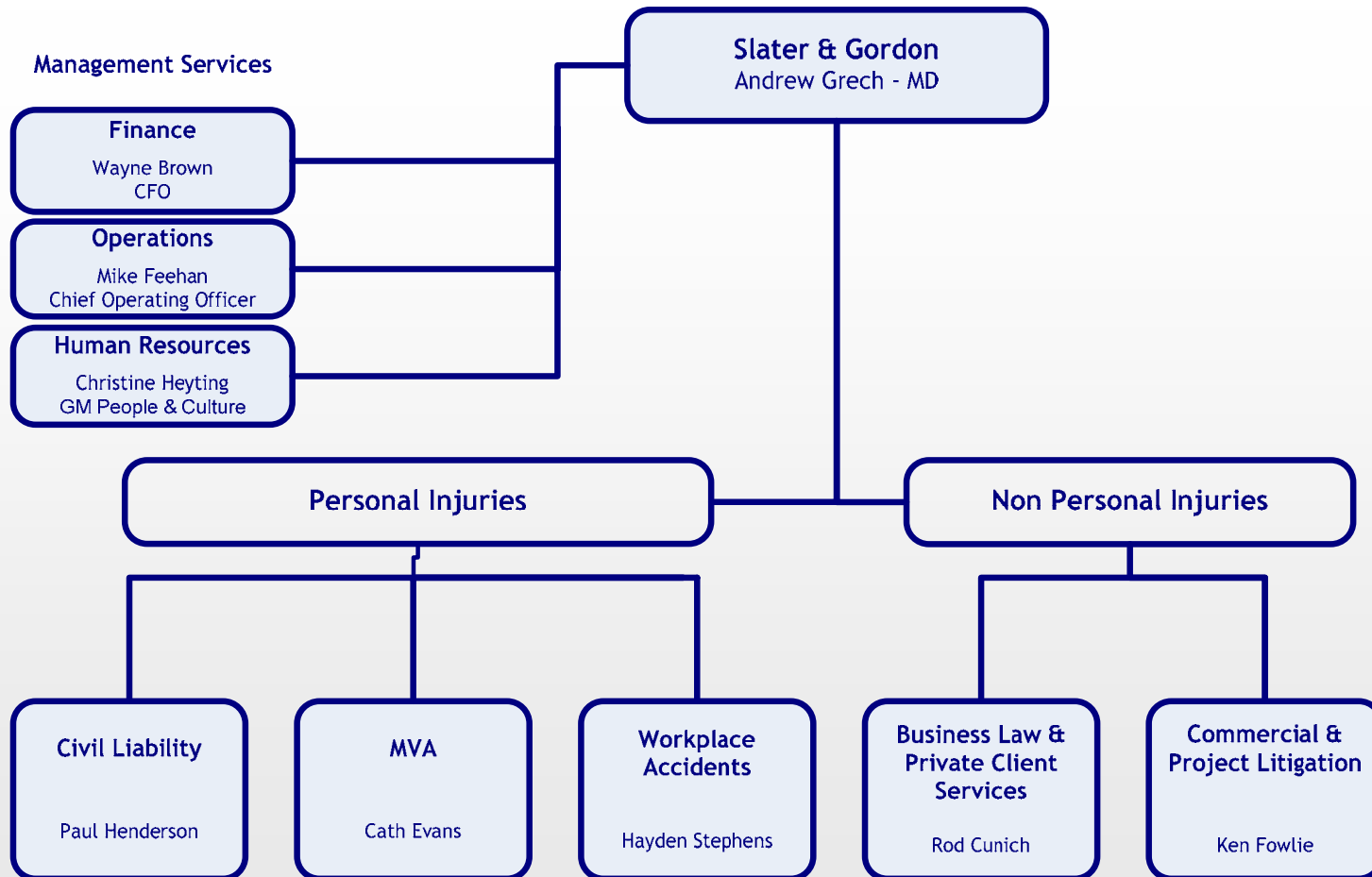
- ▶ Strong brand and leadership position in market
- ▶ Strong growth platform without compromising values and ethos
- ▶ Diverse and stable revenue base / earnings stream
- ▶ Well defined acquisition strategy
- ▶ Entering our 75th year in a leadership position in consumer legal services in Australia

The logo features a solid blue background with a white arrow pointing right from the left edge. The text "Slater & Gordon" is centered in a white, classic serif font, with "Slater &" on the top line and "Gordon" on the bottom line. Below this, the word "Lawyers" is written in a smaller, white, italicized serif font.

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Organisation Structure



Personal Injury Practices

Reputation & Results™

Civil Liability Law

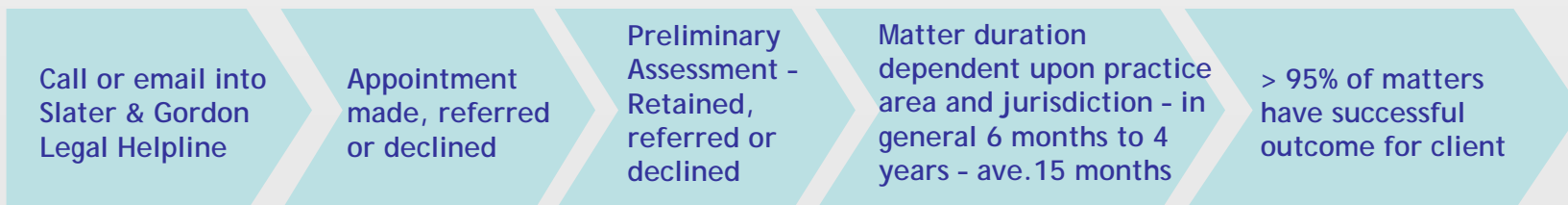
- Asbestos
- Public & Product Liability
- Medical Law
- TPD Insurance Claims

Motor Vehicle Accidents

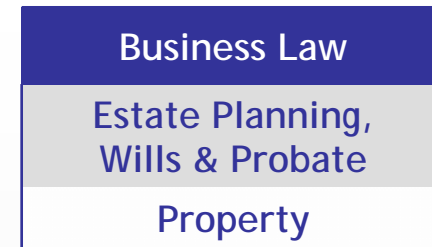
Workers Compensation

- No Win No Fee™
- Average fee event for Personal Injury matter approx. \$15,000
- WIP based on percentage of completion method discounted for risk of unsuccessful outcome
- Continual review of costs versus projected outcome
- Labour costs and outgoings accumulated over life of matter
- WIP movement reflects contribution to income results until matter is resolved

Life Cycle of a Personal Injuries Matter

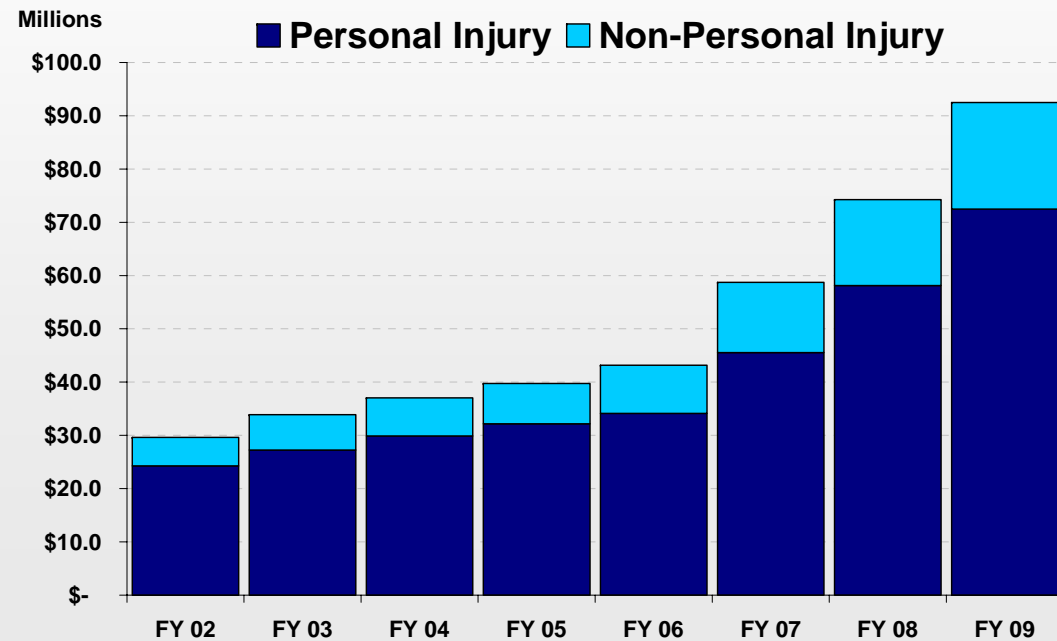


Non Personal Injuries



Continued growth in Non Personal Injury practices

- Acquisitions have expanded expertise in non-personal injuries practice groups
- Increased commercial and project litigation work as a result of economic conditions is anticipated to assist growth.



Market for Consumer Legal Services

Reputation & Results™

Area of Law	Estimated Net Fees* \$m
No Win - No Fee™ PI legal services	650.0
Conveyancing & Property	1,200.0
Wills, Probate & Estates	450.0
Family Law	400.0
Total	2,700.0

* *Based upon ABS Survey of legal services published 24 June 2009 and research from IBISWorld Report - Legal Services in Australia 2008 (relative standard error of 10% to less than 25%)*